



HONG KONG MONETARY AUTHORITY  
香港金融管理局

5 April 2016

The Chief Executive  
All Authorized Institutions

Dear Sir/Madam,

**Refinement of the Renminbi Liquidity Facility**

In the light of operating experience, the Hong Kong Monetary Authority (HKMA) has set a minimum interest rate on the intraday and overnight funds provided under the RMB Liquidity Facility with effect from 31 March 2016. The refinements are as follows:

1. The repo rates to be applied on intraday repo will be computed as the average of the most recent 3 TMA overnight CNH HIBOR fixings (inclusive of the fixing on the same day), subject to a minimum of 0%.
2. The repo rates to be applied on overnight repo will be computed as the average of the most recent 3 TMA overnight CNH HIBOR fixings (inclusive of the fixing on the same day) plus 50 basis points, subject to a minimum at 0.50%.

The revised terms and conditions for the overnight and intraday funds provided under the RMB Liquidity Facility are set out in Annex 1 and 2. Should you have any questions on the above, please contact the HKMA at 2878 8104.

Yours faithfully,

Henry Cheng  
Executive Director (Monetary Management)

Encl.

**Terms and Conditions of Overnight RMB Liquidity Facility**

Banks eligible <sup>(1)</sup>	AIs participating in RMB business (Participating AIs)
Eligible collateral	<ul style="list-style-type: none"> <li>• Exchange Fund Bills and Notes (EFBN)</li> <li>• HKSAR Government bonds (HKGB)</li> <li>• RMB denominated bonds issued in Hong Kong by the Ministry of Finance of the People's Republic of China (CMOF)</li> <li>• RMB denominated bonds issued in Hong Kong by policy banks of the People's Republic of China, including Agricultural Development Bank of China, China Development Bank, and Export and Import Bank of China</li> </ul>
Haircut on collateral	<ul style="list-style-type: none"> <li>• EFBN and HKGB: 2% per year of remaining maturity, plus 2% (for cross-currency haircut)</li> <li>• CMOF and China policy bank bonds: 2% per year of remaining maturity, minimum 2%</li> </ul>
Interest rate	Average of the most recent 3 TMA overnight CNH HIBOR fixings, inclusive of the fixing on the same day (or the average of the nearest 3 preceding fixings if there is no fixing on the same day), plus 50 bps, subject to a minimum at 0.50%
Mode of operation	<ul style="list-style-type: none"> <li>• Participating AIs interested in borrowing RMB overnight funds should contact the dealing room of the HKMA at 2878 8104 or Reuters dealing code EFHK</li> <li>• After confirming the deal with the HKMA, Participating AIs should input the repo transactions via the CMU Member Terminal (CMT) (see details in operating procedures of the CMU<sup>(2)</sup>)</li> <li>• Participating AIs should reverse the repo via CMT before 2:00pm the next operating day</li> </ul>
Operating hours	<ul style="list-style-type: none"> <li>• Request for repo should be made before 6:00pm on each Hong Kong business day</li> <li>• The input of the repo deal via CMT should be completed before 6:30pm</li> </ul>
Holiday	If the repurchase date of an overnight repo falls on a Hong Kong holiday and there are insufficient funds in the account of the Participating AI for the repurchase, the outstanding repo will be rolled over to the following operating day (see details in operating procedures of the CMU <sup>(2)</sup> )
Interest payment	Interest will be debited from the Participating AIs' RMB RTGS accounts held with the Clearing Bank after the end of an operating day on which the Participating AIs repurchase the securities.

## Notes:

- (1) Participating AIs are required to have signed a bilateral Master Sale and Repurchase Agreement with the HKMA.
- (2) CMU operating procedures include CMU Reference Manual and relevant circulars issued by the HKMA from time to time.

**Terms and Conditions of Intraday RMB Liquidity Facility**

Banks eligible <sup>(1)</sup>	AIs participating in RMB business (Participating AIs)
Eligible collateral	<ul style="list-style-type: none"> <li>• Exchange Fund Bills and Notes (EFBN)</li> <li>• HKSAR Government bonds (HKGB)</li> <li>• RMB denominated bonds issued in Hong Kong by the Ministry of Finance of the People's Republic of China (CMOF)</li> <li>• RMB denominated bonds issued in Hong Kong by policy banks of the People's Republic of China, including Agricultural Development Bank of China, China Development Bank, and Export and Import Bank of China</li> </ul>
Haircut on eligible collateral	<ul style="list-style-type: none"> <li>• EFBN and HKGB: 2% per year of remaining maturity, plus 2% (for cross-currency haircut)</li> <li>• CMOF and China policy bank bonds: 2% per year of remaining maturity, minimum 2%</li> </ul>
Interest rate	<ul style="list-style-type: none"> <li>• Average of the most recent 3 TMA overnight CNH HIBOR fixings, inclusive of the fixing on the same day (or the average of the nearest 3 preceding fixings if there is no fixing on the same day), subject to a minimum of 0%</li> <li>• To be charged based on the actual time used during the day on a per minute basis</li> </ul>
Mode of operation	<ul style="list-style-type: none"> <li>• Participating AIs may initiate intraday repo transactions with the HKMA via the CMU Member Terminal (CMT)</li> <li>• Intraday repo not repaid before the end of an operating day (i.e. 5:00 am the next calendar day) will be converted into overnight repo, and subject to full overnight interest charge. Interest charge on the relevant intraday repo will be waived. The converted overnight repo should be repaid before 2:00 pm on the next operating day. (See details in operating procedures of the CMU <sup>(2)</sup>)</li> </ul>
Operating hours	On each operating day of RMB RTGS which spans from 8:30 am to 5:00 am the next calendar day, except for Saturdays and Sundays
Interest payment	Interest will be debited from the Participating AIs' RMB RTGS accounts held with the Clearing Bank after the end of an operating day on which the Participating AIs repurchase the securities.

Note:

(1) Participating AIs are required to have signed a bilateral Master Sale and Repurchase Agreement with the HKMA.

(2) CMU operating procedures include CMU Reference Manual and relevant circulars issued by the HKMA from time to time.